

CITY AUDITOR'S OFFICE



INVESTIGATIVE REPORT PETTY CASH THEFT PLANNING AND DEVELOPMENT DEPARTMENT

Report No. CAO 2300-0304-03

February 27, 2004

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CITY AUDITOR

**INVESTIGATIVE REPORT
PETTY CASH THEFT
PLANNING AND DEVELOPMENT DEPARTMENT
Report No. CAO 2300-0304-03**

BACKGROUND

During an audit of the city's petty cash funds (Report No. CAO 2200-0203-06), the City Auditor's Office noted irregularities with the petty cash fund of the Department of Planning and Development. Subsequent to the initiation of an examination of the identified irregularities, the custodian of the petty cash funds, a Senior Management Analyst, confessed to the theft of city funds to the department director. The City Manager's Office requested the City Auditor's Office and the City Marshal's Office to investigate this theft. The employee was subsequently terminated. At the conclusion of the investigation, the former Senior Management Analyst was arrested and charged with theft.

OBJECTIVE

The objectives of our investigation were to:

- Determine if internal controls were adequate.
- Determine the reason for any control failure.
- Recommend corrective action.
- Report on the results of our investigation.

SCOPE AND PROCEDURES

Our investigation was conducted in accordance with applicable procedures as defined in the City Auditor's Office Operating Instructions Manual. Procedures included:

- Review of applicable policies and procedures
- Examination of records
- Review of individual transactions
- Interviews with selected employees
- Interviews with outside parties

The scope of our investigation was limited to Department of Planning and Development petty cash transactions during the period January 1999 to March 2003.

FINDINGS

The Senior Management Analyst was the entrusted custodian of the petty cash fund within the Department of Planning and Development. The Senior Management Analyst

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falsified petty cash receipts and processed these receipts through the City Treasurer's Office for reimbursement and subsequently diverted these funds for personal use. Estimated losses to the city total \$10,155.

Substantiated Losses

The Senior Management Analyst processed for reimbursement 77 identifiable falsified receipts totaling \$7,695 through the City Treasurer's Office including the following:

- 54 falsified receipts totaling \$6,135 of two professional organizations. These receipts were identified as being falsified by representatives of the respective organizations.
- 19 falsified receipts totaling \$1,310 for expenses for workshops never held by the Department of Planning and Development as verified by management and staff within the Department.
- 3 falsified receipts totaling \$200 of an educational institution. These receipts were identified as being falsified by a representative of the educational institution.
- 1 falsified receipt of \$50 of a local business. This receipt was identified as being falsified by the owner of the local business.

Unsubstantiated Losses

An additional 28 receipts totaling \$2,460 were highly suspect of being falsified. However, we were unable to substantiate their falsification.

Review and Approval by Department Director

Receipts of expenditures from petty cash funds are submitted along with a *Request for Imprest Funds* form to the Treasurer's Office for replenishment of the funds in the amount of the submitted receipts. This form requires two signatures, an applicant and a department authorized signer. To ensure proper segregation of duties, the custodian of a petty cash fund should be the applicant, while a member of management should be the department authorized signer.

The job description for the Director of Planning and Development identifies approving expenditures as one of the essential functions of this position. The *Request for Imprest Funds* forms and accompanying receipts submitted to the Treasurer's Office for replenishment of the department's petty cash fund were not approved and signed by the previous or current department director (or another member of management). The Senior Management Analyst signed as the department authorized signer on all but a few of the *Request for Imprest Funds* forms submitted to the Treasurer's Office. An employee who was a department mail courier was identified and/or signed as the applicant on most of these forms.

The City's cash handling policy states, "the department director or their designee (other than a cashier), shall be required to perform and document unannounced inspections of

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their department's cash handling activities." There was no evidence that this was taking place with the department's petty cash fund.

Review by City Treasurer

The receipts and *Request for Imprest Funds* forms from city departments are regularly assembled for review by the City Treasurer. The City Treasurer reviews these documents for reasonableness and signs a cover sheet to these documents following his review.

CONCLUSIONS

This theft occurred due to the following:

- The internal control environment surrounding petty cash funds is deficient (as discussed in Report No. CAO 2200-0203-06).
- The previous and current department directors of Planning and Development failed in their oversight responsibility of the department's petty cash fund as follows:
 - The department director or another member of management was not reviewing and approving the petty cash expenditure receipts and the *Request for Imprest Funds* forms prior to their submission to the City Treasurer's Office.
 - The Senior Management Analyst was inappropriately permitted to sign the *Request for Imprest Funds* form as a department authorized signer and therefore approve the replenishment of her own petty cash fund. The department mail courier was inappropriately permitted to be identified and/or sign as the applicant on most of the forms.
 - The department director or a designee was not performing and documenting unannounced inspections of the department's petty cash handling activities as required by city policy.
- The City Treasurer's review for reasonableness of the *Request for Imprest Funds* forms and accompanying receipts was inadequate to identify the falsified receipts.

Memorandum

City of Las Vegas Planning & Development

To: City Auditor
From: Robert S. Genzer
CC: Betsy Fretwell, Mark Vincent
Date: February 24, 2004
Re: Response to Investigative Report – Petty Cash Theft, Planning and Development Department

This memo is the Planning and Development Department's response to the Investigative Report, Petty Cash Theft.

Department Internal Control Failures:

1. Senior Management Analyst was inappropriately permitted to sign the Request for Imprest Funds form as a department authorized signer to approve expenses and replenish her own petty cash fund. Changes instituted:
 - Elimination of Petty Cash for the Planning and Development Department.
 - Completion of Imprest Funds form requiring two separate signatures, applicant plus Director to approve with original receipts attached for reimbursement.
2. The department Director or a designee was not performing and documenting unannounced inspections of the department's petty cash handling activities as required by city policy. Changes instituted:
 - Elimination of petty cash.

In the future, if a petty cash fund is needed, we will comply with all city requirements, policies and procedures.